

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Bois Blanc Township	County Mackinac
Audit Date 3/31/06	Opinion Date 8/26/06	Date Accountant Report Submitted to State: 9/20/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature <i>Anderson Tackman & Co PLC</i>		Date 9/20/06	

BOIS BLANC TOWNSHIP

BASIC FINANCIAL STATEMENTS

March 31, 2006

BOIS BLANC TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

LOREN GIBBONS

TOWNSHIP TREASURER

CHERYL GAHN

TOWNSHIP CLERK

JOAN SCHROKA

TOWNSHIP TRUSTEE

LANI WHITE

TOWNSHIP TRUSTEE

SHELBY NEWHOUSE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Bois Blanc Township
PO Box 898, 808 Huron Drive
Pointe aux Pins, Michigan 49775

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bois Blanc Township, Michigan as of and for the year ended March 31, 2006, which collectively comprises the Township's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bois Blanc Township, Michigan as of March 31, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on page 3 and the budgetary comparisons are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 26, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether the Township as a whole is better off or worse off as of a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Township's net assets and the changes in them. The reader can think of the Township's net assets (the difference between assets and liabilities) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating.

In a condensed format, the table below shows the net assets of Bois Blanc Township.

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Current Assets	\$ 915,418	\$ 908,389
Noncurrent Assets	<u>817,425</u>	<u>461,851</u>
Total Assets	<u>\$ 1,732,843</u>	<u>\$ 1,370,240</u>
Current Liabilities	\$ 64,653	\$ 1,834
Long-Term Liabilities	<u>88,242</u>	<u>109,900</u>
Total Liabilities	<u>152,895</u>	<u>111,734</u>
Net Assets:		
Invested in Capital Assets – (Net of Related Debt)	577,497	351,951
Unrestricted	<u>1,002,451</u>	<u>906,555</u>
Total Net Assets	<u>\$ 1,579,948</u>	<u>\$ 1,258,506</u>

The current level of unrestricted net assets for our governmental activities stands at \$1,002,451, or about 203% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Program Revenues		
Charges for Services	\$ 26,415	\$ 34,933
General Revenues		
Property Taxes	328,505	320,147
State-Shared Revenues	13,984	7,067
Grants	173,736	29,050
Interest	20,183	10,005
Other Revenue	<u>22,632</u>	<u>11,715</u>
Total Revenues	<u>585,455</u>	<u>412,917</u>
Program Expenses		
Legislative	6,488	8,964
General Government	84,869	86,180
Public Safety	84,116	91,478
Public Works	50,564	76,635
Interest Expense	4,333	928
Depreciation Expense (unallocated)	<u>52,643</u>	<u>-</u>
Total Expenses	<u>283,013</u>	<u>264,185</u>
Changes in Net Assets	302,442	148,732
Net Assets – Beginning	<u>1,277,506</u>	<u>1,109,774</u>
Net Assets – Ending	<u>\$ 1,579,948</u>	<u>\$ 1,258,506</u>

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major fund for 2006 includes the General Fund and Ambulance Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was the decrease in the estimated State Revenue Sharing. Township departments overall stayed below budget, resulting in total expenditures \$72,429 below budget. This allowed the General Fund's fund balance to increase from \$200,991 a year ago to \$250,882 at March 31, 2006.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$677,397 invested in a broad range of capital assets, including airport, buildings, marina, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Hall at: (231) 634-7275.

Basic Financial Statements

**Statement of Net Assets
March 31, 2006**

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 578,835
Taxes Receivable	34,930
Internal Balances	<u>301,653</u>
 TOTAL CURRENT ASSETS	 <u>915,418</u>
 Noncurrent Assets	
Capital Assets, (Net of Accumulated Depreciation)	<u>817,425</u>
 TOTAL ASSETS	 <u><u>\$ 1,732,843</u></u>
 LIABILITIES AND NET ASSETS:	
Current Liabilities	
Accounts Payable	\$ 52,995
Current portion of long term liabilities	<u>11,658</u>
 TOTAL CURRENT LIABILITIES	 <u>64,653</u>
 Long Term Liabilities	
Notes Payable	<u>88,242</u>
 TOTAL LIABILITIES	 <u>152,895</u>
 NET ASSETS:	
Invested in Capital Assets (net of related debt)	577,497
Unrestricted	<u>1,002,451</u>
 TOTAL NET ASSETS	 <u><u>\$ 1,579,948</u></u>

Bois Blanc Township, Michigan

Statement of Activities For the Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating-Grants Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	\$ 6,488	\$ -	\$ -	\$ (6,488)
General Government	84,869	16,801	-	(68,068)
Public Safety	84,116	1,170	33,708	(49,238)
Public Works	50,564	8,444	140,028	97,908
Interest Expense	4,333	-	-	(4,333)
Depreciation (Unallocated)	52,643	-	-	(52,643)
Total Governmental Activities	<u>\$ 283,013</u>	<u>\$ 26,415</u>	<u>\$ 173,736</u>	(82,862)
General Revenues:				
Taxes				328,505
State Revenue Sharing & Other				13,984
Interest				20,183
Miscellaneous				22,632
Total General Revenues				<u>385,304</u>
Changes in Net Assets				302,442
Net Assets - Beginning				<u>1,277,506</u>
Net Assets - Ending				<u>\$ 1,579,948</u>

Bois Blanc Township, Michigan**Balance Sheet
Governmental Funds
March 31, 2006**

	General Fund	Airport Fund	Law Enforcement Fund	Fire Fund	Marina Fund	Other Funds	Total Governmental Funds
ASSETS:							
Cash & Equivalents	\$ 131,561	\$ 37,127	\$ 117,985	\$ 92,848	\$ 169,609	\$ 29,705	\$ 578,835
Taxes & Other Receivables	9,212	7,519	2,456	5,187	7,148	3,408	34,930
Due from Other Funds	113,470	56,552	19,201	36,676	57,618	18,136	301,653
TOTAL ASSETS	<u><u>\$ 254,243</u></u>	<u><u>\$ 101,198</u></u>	<u><u>\$ 139,642</u></u>	<u><u>\$ 134,711</u></u>	<u><u>\$ 234,375</u></u>	<u><u>\$ 51,249</u></u>	<u><u>\$ 915,418</u></u>
LIABILITIES:							
Accounts Payable	\$ 3,361	\$ 49,634	\$ -	\$ -	\$ -	\$ -	\$ 52,995
TOTAL LIABILITIES	<u>3,361</u>	<u>49,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,995</u>
FUND BALANCES:							
Unreserved:							
Undesignated	250,882	51,564	139,642	134,711	234,375	51,249	862,423
TOTAL FUND BALANCES	<u>250,882</u>	<u>51,564</u>	<u>139,642</u>	<u>134,711</u>	<u>234,375</u>	<u>51,249</u>	<u>862,423</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 254,243</u></u>	<u><u>\$ 101,198</u></u>	<u><u>\$ 139,642</u></u>	<u><u>\$ 134,711</u></u>	<u><u>\$ 234,375</u></u>	<u><u>\$ 51,249</u></u>	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities are not financial resources and therefore not reported in the funds.
Long term notes payable principal

677,397
(99,900)

Net assets of governmental activities

\$ 1,439,920

Bois Blanc Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2006

	General Fund	Airport Fund	Law Enforcement Fund	Fire Fund	Marina Fund	Other Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 122,464	\$ 62,413	\$ 21,717	\$ 40,477	\$ 61,419	\$ 20,015	\$ 328,505
Federal Sources	-	-	-	32,208	-	-	32,208
State Sources	13,984	140,028	-	1,500	-	-	155,512
Charges for Services	16,801	550	770	400	-	7,894	26,415
Interest	4,829	3,121	3,400	2,425	5,769	639	20,183
Rentals	-	-	-	-	2,020	-	2,020
Other Revenue	370	2,077	85	1,920	15,555	605	20,612
TOTAL REVENUES	158,448	208,189	25,972	78,930	84,763	29,153	585,455
EXPENDITURES:							
General Government	84,869	-	-	-	-	-	84,869
Legislative	6,488	-	-	-	-	-	6,488
Public Safety	12,100	-	30,106	41,910	-	-	84,116
Public Works	5,100	150,064	-	-	13,833	21,595	190,592
Debt Service	-	14,333	-	-	-	-	14,333
Capital Outlay	-	153,800	-	3,000	92,389	-	249,189
TOTAL EXPENDITURES	108,557	318,197	30,106	44,910	106,222	21,595	629,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,891	(110,008)	(4,134)	34,020	(21,459)	7,558	(44,132)
FUND BALANCES, APRIL 1	200,991	161,572	143,776	100,691	255,834	43,691	906,555
FUND BALANCES, MARCH 31	\$ 250,882	\$ 51,564	\$ 139,642	\$ 134,711	\$ 234,375	\$ 51,249	\$ 862,423

Bois Blanc Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Changes in fund balances - total governmental funds	\$ (44,132)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation.

Capital Outlay	389,217
Depreciation expense	(52,643)

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>10,000</u>
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Changes in net assets of governmental activities	<u><u>\$ 302,442</u></u>
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**Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2006**

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Equivalents	<u>\$ 301,653</u>
 TOTAL ASSETS	 <u><u>\$ 301,653</u></u>
LIABILITIES:	
Due to Other Funds	<u>\$ 301,653</u>
 TOTAL LIABILITIES	 <u><u>\$ 301,653</u></u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bois Blanc Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Bois Blanc Township ("The Township") is a regular law Michigan township located on an island in Mackinac County, Michigan.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including ambulance protection, community enrichment, and development.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Bois Blanc Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Bois Blanc Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Bois Blanc Township property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Mackinac as of the preceding December 31st and July 1st.

The December 1, 2005 taxable valuation of Bois Blanc Township totaled \$21,870,492, on which ad valorem taxes levied consisted of 1.4158 mills for the Township operating. This amount is recognized in the General Fund financial statements as tax revenue.

In addition to collecting their taxes, the Township also acts as a collection agent for all overlapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Airport Fund

This Fund accounts for Airport services for residents of Bois Blanc Township.

Law Enforcement Fund

This Fund accounts for law enforcement services for residents of Bois Blanc Township.

Fire Fund

This Fund accounts for fire protection services for residents of Bois Blanc Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marina Fund

This Fund accounts for marina services for residents of Bois Blanc Township.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 39 years
Equipment and Furniture	3 - 10 years

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2006.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 578,835	301,653
Total	<u>\$ 578,835</u>	<u>\$ 301,653</u>

The Township's deposits are located in one local financial institution. Deposits are carried at cost.

	<u>Insured</u>	<u>Uninsured</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits:				
Checking and Savings	\$ 251,924	\$ 368,949	\$ 620,873	\$ 880,488

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Investment and Deposit Risk**

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

Credit risk. The Township has no investments for which ratings are required.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$368,949 of the Township's bank balance of \$620,873 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

Receivables:	
Taxes receivable	<u>\$ 34,930</u>

NOTE 5 - CAPITAL ASSETS

A summary of capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Land and Improvements	\$ 537,019	\$ 249,189	\$ 19,000	\$ 805,208
Construction in Progress	-	140,028	-	140,028
Buildings and Improvements	296,700	-	-	296,700
Furniture, Fixtures, and Equipment	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Subtotal	933,719	389,217	19,000	1,341,936
Accumulated Depreciation	<u>(471,868)</u>	<u>(52,643)</u>	<u>-</u>	<u>(524,511)</u>
Net Capital Assets	<u>\$ 461,851</u>	<u>\$ 336,574</u>	<u>\$ 19,000</u>	<u>\$ 817,425</u>

Depreciation for the fiscal year ended March 31, 2006 amounted to \$52,643. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

	DUE FROM OTHER FUNDS						
	General Fund	Airport Fund	Law Enforcement Fund	Fire fund	Marina Fund	Other Funds	Total
Agency Fund	\$ 113,470	\$ 56,552	\$ 19,201	\$ 36,676	\$ 57,618	\$ 18,136	\$ 301,653

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the Long-Term Debt for the year ending March 31, 2006.

	Balance 04/01/05	Additions	Deductions	Balance 03/31/06	Due Within One Year
Note Payable, secured by equipment, due in varying annual installments, interest accruing at 4.25% through 2007.	\$ 13,600	\$ -	\$ (10,000)	\$ 3,600	\$ 3,600
Note Payable, Michigan Aeronautics Commission, due in annual installments of \$11,814, interest accruing at 3.9% through September 13, 2014.	96,300	-	-	96,300	8,058
TOTAL LONG-TERM DEBT	\$ 109,900	\$ -	\$ (10,000)	\$ 99,900	\$ 11,658

NOTE 7 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities Principal</u>
2007	\$ 11,658
2008	8,372
2009	8,699
2010	9,038
2011 – 2014	<u>62,133</u>
Total	<u>\$ 99,900</u>

NOTE 8 - CONTINGENCIES:

Risk Management – The Township of Bois Blanc is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

The Township and component units have received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Township at March 31, 2006.

Required Supplemental Information

Bois Blanc Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 128,300	\$ 128,300	\$ 122,464	\$ (5,836)
State Sources	18,000	18,000	13,984	(4,016)
Interest	1,500	1,500	4,829	3,329
Charges for Services	11,100	11,100	16,801	5,701
Miscellaneous	4,300	4,300	370	(3,930)
TOTAL REVENUES	163,200	163,200	158,448	(4,752)
EXPENDITURES:				
Legislative:				
Township Board	6,487	6,487	6,488	(1)
Total Legislative:	6,487	6,487	6,488	(1)
General Government:				
Supervisor	8,950	8,950	9,119	(169)
Treasurer	26,516	26,516	24,594	1,922
Clerk	12,015	12,015	11,703	312
Assessor	19,453	19,453	19,143	310
Board of Review	927	927	574	353
Township Hall & Grounds Activities	25,417	25,417	17,839	7,578
Cemetery	1,592	1,592	646	946
Elections	430	430	317	113
Parks & Recreation	10,000	10,000	480	9,520
Professional	10,000	10,000	454	9,546
Total General Government	115,300	115,300	84,869	30,431
Public Safety:				
Planning and Zoning	18,999	18,999	12,100	6,899
Total Public Safety	18,999	18,999	12,100	6,899
Public Works:				
Road Work	5,200	5,200	5,100	100
Total Public Works	5,200	5,200	5,100	100
Capital Outlay	20,000	20,000	-	20,000
Contingency	15,000	15,000	-	15,000
TOTAL EXPENDITURES	180,986	180,986	108,557	72,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (17,786)	\$ (17,786)	49,891	\$ 67,677
FUND BALANCE, APRIL 1			200,991	
FUND BALANCE, MARCH 31			\$ 250,882	

Bois Blanc Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Airport Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 64,550	\$ 64,550	\$ 62,413	\$ (2,137)
Charges for Services	6,000	6,000	550	(5,450)
State Grants	140,028	140,028	140,028	-
Interest	725	725	3,121	2,396
Miscellaneous	-	-	2,077	2,077
TOTAL REVENUES	211,303	211,303	208,189	(3,114)
EXPENDITURES:				
Public Works:				
Airport	156,233	156,233	150,064	6,169
Debt Service	22,900	22,900	14,333	8,567
Capital Outlay	155,400	155,400	153,800	1,600
TOTAL EXPENDITURES	334,533	334,533	318,197	16,336
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (123,230)	\$ (123,230)	(110,008)	\$ (19,450)
FUND BALANCE, APRIL 1			161,572	
FUND BALANCE, MARCH 31			\$ 51,564	

Bois Blanc Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Law Enforcement Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 23,500	\$ 23,500	\$ 21,717	\$ (1,783)
Charges for Services	770	770	770	-
Interest	2,000	2,000	3,400	1,400
Miscellaneous	-	-	85	85
TOTAL REVENUES	26,270	26,270	25,972	(298)
EXPENDITURES:				
Public Safety:				
Law Enforcement	33,270	33,270	30,106	3,164
Contingency	9,000	9,000	-	9,000
Capital Outlay	30,000	30,000	-	30,000
TOTAL EXPENDITURES	72,270	72,270	30,106	42,164
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (46,000)	\$ (46,000)	(4,134)	\$ (42,462)
FUND BALANCE, APRIL 1			143,776	
FUND BALANCE, MARCH 31			\$ 139,642	

Bois Blanc Township, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 41,200	\$ 41,200	\$ 40,477	\$ (723)
Federal Grants	71,000	35,036	32,208	(2,828)
State Grants	3,000	3,000	1,500	(1,500)
Rent	1,000	1,000	400	(600)
Interest	1,200	1,200	2,425	1,225
Miscellaneous	177,200	1,910	1,920	10
TOTAL REVENUES	294,600	83,346	78,930	(4,416)
EXPENDITURES:				
Public Safety:				
Fire Protection	60,550	61,760	41,910	19,850
Contingency	15,000	12,000	-	12,000
Capital Outlay	223,400	14,036	3,000	11,036
TOTAL EXPENDITURES	298,950	87,796	44,910	42,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (4,350)	\$ (4,450)	34,020	\$ (47,302)
FUND BALANCE, APRIL 1			100,691	
FUND BALANCE, MARCH 31			\$ 134,711	

Bois Blanc Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Marina Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 69,100	\$ 69,100	\$ 61,419	\$ (7,681)
Rent	3,000	3,000	2,020	(980)
Interest	2,500	2,500	5,769	3,269
Miscellaneous	16,650	16,650	15,555	(1,095)
TOTAL REVENUES	91,250	91,250	84,763	(6,487)
EXPENDITURES:				
Public Works:				
Marina	24,300	24,300	13,833	10,467
Capital Outlay	75,000	92,389	92,389	-
Contingency	20,000	2,611	-	2,611
TOTAL EXPENDITURES	119,300	119,300	106,222	13,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (28,050)	\$ (28,050)	(21,459)	\$ (19,565)
FUND BALANCE, APRIL 1			255,834	
FUND BALANCE, MARCH 31			\$ 234,375	



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board
Bois Blanc Township
Pointe aux Pins, MI 49775

We have audited the financial statements of Bois Blanc Township for the year ended March 31, 2006, and have issued our reports thereon dated August 26, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Bois Blanc Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Bois Blanc Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

In planning and performing our audit of the financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management to the financial statements.

Reportable conditions:

- 1) Inadequate procedures for appropriately assessing and applying accounting principles.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. None of the reportable conditions described above is considered to be a material weakness, however.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by Bois Blanc Township are described in Note 1 to the financial statements. We noted no transactions entered into by Bois Blanc Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Bois Blanc Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Accrual Basis of Accounting

The Township need to incorporate the modified accrual basis of accounting into its interim financial statements. Numerous adjustments were made to attain the modified accrual basis of accounting.

Policies

During several discussions with the Township Treasurer we found the Township does not have written policies for accounting procedures and a Township disaster recovery plan. It is recommended the Township prepare and adopt written policies for accounting procedures and a disaster recovery plan.

Conflict of Interest/Competitive Bids

The Township currently has no conflict of interest policy or a competitive bid policy in place. These policies ensure related parties abstain from voting on related issues and allow for competitive pricing on contracts the Township enters into.

State Grants

The Township receives as a subrecipient several grants administered by the State. The dollars expended on the Township's behalf should be recorded on the Township's accounting system to properly account for these grants.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This information is intended solely for the use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 26, 2006